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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, GUATEMALA — 214 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — September 4, 1953 DATE

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Action Assigned to

Action Taken

SUBJECT: WEEKA NO. 36 - ECONOMIC SECTION

SECTION II

Date of Action 9/11/53

Unclassified

Action Office Symbol

Officer

Business declined in August, apparently confirming the belief that the July increase did not indicate an upward trend, and merchants became increasingly pessimistic over the absence of any sign of an early general improvement after 16 months of depressed commercial activity. Although department store sales during the month were normal, auto, hardware and home appliance volume decreased and heavy agricultural and construction equipment lines remained dormant. Bank clearings were down 16 percent and bankers reported poor collections which they attributed to low retail sales and continuing uncertainty.

Cost-of-Living Conference (Unclassified)

After three days of leftist and nationalist propaganda speeches by labor leaders and politicians, the conference on the high cost of living, sponsored by the Communist-dominated General Confederation of Labor (CGTG) (WEEKA No. 35), in its final session on August 29 passed resolutions urging the Government to reduce living costs by taking the following steps: 1) denounce and modify commercial treaties unfavorable to national economic development and conclude agreements with countries which offer more favorable conditions and respect Guatemala's sovereignty; 2) lower the price of gasoline by at least $0.10 a gallon and replace the loss in tax receipts by measures which would not hinder production; 3) revise the rental law and initiate a State-financed low-cost housing program; 4) authorize the Production Development Institute (INFOP) to regulate basic food prices; 5) lower the price of meat through a municipally-operated slaughtering and distribution system; 6) force electicity rates

EHMiller/dkp (9/3/53) REPORTER

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DECLASSIFICATION DATE 12-24-79 REVIEWER Edmunds OFFICE ARA FOI CASE NO. 740332

DEPARTMENT OF STATE RECEIVED SEP 9 1953 OLI - IAD MESSAGE CENTER

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down by at least $0.01 per kilowatt hour; and 7) require the lowering of rail freight and passenger rates by at least 15 percent.

The conference was widely publicized and supported in the pro-Government and official press and President ARBENZ lent encouragement in a message supporting the aims of the conference and accepting the honorary presidency. As will be recalled, Sr. J. Roberto FANJUL, Minister of Economy, delivered the opening speech (WEEKA No. 35).

In contrast, the independent El Imparcial, commenting on the conference, stated: that no one with the least comprehension of economics could seriously support the resolutions; and that the high cost of living in Guatemala was due to the relatively low level of personal income which could only be remedied by stimulating private investment and production so as to create increased demand for labor. Also taking issue with the resolutions, the United States-owned International Railways of Central America (IRCA) pointed out in paid advertisements that it could not be held responsible for the increased cost of living as 1953 freight rates on 14 basic products were either the same or lower than in 1939.

Production Development Institute (Restricted)

An indication that the Production Development Institute (INFOP) may incur serious financial losses in connection with its operation of the coffee mills received on July 1 from the defunct National Farms organization (FN) (WEEKA No. 26) was seen in an announcement this week by the General Confederation of Labor (CGTG) that it would support agrarian reform beneficiaries in their efforts to obtain from INFOP $8.00 per hundredweight for coffee in cherry. INFOP had planned to pay $7.00 but the CGTG said that price would be ruinous for the small farmers.

At the current price of $36.50 per hundred pounds of milled coffee INFOP would gross only about $1.50 per hundredweight at the $7.00 price and even a slight increase would mean large losses on its estimated production of 20,000,000 pounds of milled coffee.

A director of INFOP stated privately that if the mills are not operated on a sound financial basis the resultant losses could endanger the existence of INFOP itself. He said the Board of Directors realized the

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gravity of the situation and might be forced to resign if political and labor pressures prevented their establishing realistic prices and reorganizing the mills. The latter would involve the release of a large number of employees.

United States Motion Pictures (Unclassified)

Referring to the reported suspension of film shipments to Guatemala by United States motion picture companies because of the new 20 percent tax on the gross receipts of their local distributors (WEEKA No. 27), Sr. J. Roberto Fanjul, Minister of Economy, stated this week that the Guatemalan Government had the sovereign right to impose taxes on income earned within its territory; that all other countries followed that practice and in the United States the profits of non-resident aliens were taxed by at least 30 percent. The press reported that within a short time the supply of United States films now in the country would be exhausted and that several theaters already had informed their employees that they might have to close in October.

United States movies have long dominated the Guatemalan market, providing 66 percent of the features and 100 percent of the newsreels and shorts in 1951. Government tax receipts on motion picture theater admissions in 1951 were $265,188, most of which may be lost if United States films are withdrawn.

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